

## **C-PACE Program Benefits for Idaho Cities & Counties**

The following is intended to be a brief summary of the Idaho C-PACE Program. For specific details on the Idaho C-PACE Act please see the attached House Bill No. 624.

### **What is C-PACE?**

Commercial Property Assessed Capital Expenditure (C-PACE) is a program that allows owners of eligible commercial property to obtain long-term, low-interest rate financing from private capital providers for certain qualified projects. Eligible properties may include any privately-owned commercial, industrial, agricultural, or multi-family (with five or more dwelling units) real property as well as property owned by nonprofit, charitable or religious organizations.

### **Background**

C-PACE was authorized by the Idaho State Legislature under House Bill No. 624 however local jurisdictions, cities or counties, must adopt, enact and administer local C-PACE programs.

### **Benefits**

C-PACE offers benefits to local cities and counties as well as the owners of privately owned commercial properties.

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- **Economic development tool:** the availability of the C-PACE Program incentivizes improving your community's building stock through retrofits of older buildings and construction of new, energy efficient ones. It also creates numerous jobs in the local economy.
- **Increased tax base/revenues:** better buildings are more valuable, which leads to higher tax assessments and an overall increase in tax revenues.
- **Minimal administrative burden:** the local government's role is to review applications for adherence to the established program. It follows a "check the box" administrative model which greatly reduces staff review time. This role can also be outsourced to third party administrators (e.g. EDO's) for application reviews and approval recommendations.
- **No government funding at risk:** C-PACE assessments are funded with 100% private capital. There is no capital or operating budget risk to local governments.

- **Fees:** local governments establish their desired fee structure to cover program costs and beyond, serving as a potential additional revenue source.
- **Public benefit:** improved and better constructed buildings are more efficient and resilient. They can help counties/cities meet their economic development and clean energy goals.
- **Housing:** one of the most common uses of C-PACE is in the funding of multifamily housing to include workforce housing, thereby serving as a tool to help address a community's need for additional housing.

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One of the biggest barriers to converting potential projects to completed projects are the up-front costs required. CPACE financing typically requires little up-front investment, and qualifying improvements improve a property's value. Energy efficiency measures also lower operating costs. In addition, CPACE financing has the following benefits:

- **Up to 100%, long-term financing:** many owners lack the capital to complete efficiency and seismic improvements, especially on existing properties. All direct and indirect costs incidental to the qualified improvements can be wrapped into CPACE financing.
- **Increases Property Value:** making a building more energy efficient and resilient increases its value
- **Reduced operating costs:** a more energy efficient building is cheaper to operate, greatly reducing operating expenses, increasing operating income and thereby its value
- **Transferable upon sale:** some owners may want to sell the building before the financing is repaid. The CPACE lien and assessment are attached to the property and transfers to the new owner, thereby avoiding the need to pay it off.
- **Cash flow benefits:** CPACE financing may be repaid over the useful life of the improvements which, because of the long-term financing options, can have positive effects on cash flow.
- **Triple-net and Full-net leases may allow pass-through of assessment installments to tenants:** under triple/full net leases, CPACE payments can be passed along to tenants, who also typically derive benefit from any energy savings through reduced operating costs.

### **Example of a typical C-PACE process (details will vary by program)**

- Property owner identifies desired project improvements (e.g. energy, water, renewable, seismic, etc.) for their renovation/retrofit or new construction project
- Property owner identifies a C-PACE capital provider (~lender) for their project.
- Property owner and capital provider reach mutual terms for the financing, to include interest rate, term, fees, etc.
- Project costs are verified and the project improvements are certified by a qualified engineer or energy manager in accordance with the local C-PACE program. The capital provider and property owner manage this, not the city/county.
- Property owner and capital provider work together to complete an application and all associated documents and submit them along with the application fee to the city/county.
- The city/county designated C-PACE Administrator reviews and approves the application. Upon application approval the property owner and capital provider proceed forward with the closing process to include completion of required closing documents. Upon closing the property owner and capital provider pay the program fee to the city/county.
- At closing the city/county records the assessment related documents, notifies the property owner and capital provider, and the capital provider disburses funds.
- Construction commences and once construction completes the assessment term and associated payments begin.
- Depending on the local program, the C-PACE assessment payment is billed and collected by either the local jurisdiction (county or city) or directly by the C-PACE capital provider. The latter is more typical in existing Idaho programs.